

February 14, 2018

Hearing Title: Advancing U.S. Interests Through the Organization of American States

Statement of Peter Quilter, Former Secretary for Management and Finance at the
Organization of American States

Chairman Cook, Ranking Member Sires, members of the distinguished subcommittee, and subcommittee staff, thank you for the opportunity to return to testify today, this time to shine a light on the Organization of American States (OAS), its place in the region, and its place in the policy options of the United States.

Overview

Almost exactly a year ago, Sec. Tillerson was hastily dispatched to Mexico to rescue a long-standing relationship that Trump had summarily set on fire. Today, the Secretary has just returned from another trip to our neighborhood where he tried to assuage feelings of deep unease.

The trip was intended to rally support for concerted action on Venezuela and to highlight China's increasing economic and political presence in the region. But in what we might describe as an Olympic effort at burying the lede, Sec. Tillerson instead led off with a shout out to the 200 year old Monroe Doctrine, and a suggestion that the Venezuelan military should remove strongman leader Maduro from power.

The hair on the back of the hemispheric neck bristled.

To be fair, our neighbors reacted patiently because they know the Americas are experiencing significant problems far beyond ham-handed statements. Venezuela is indeed swirling down an economic and political drain (and kudos to Sec. Tillerson for keeping this issue front and center in his trip); Brazil and Peru are grappling with epic levels of corruption in their political classes; Hondurans appear stuck with the results of an election most observers agree was stolen; the Caribbean area is struggling with the increasingly dire consequences of climate change; and the Northern triangle countries are being strangled by violence, drugs and economic distress with its attendant, destabilizing effects on migration flows.

Setting this table would not be complete without mentioning what candidate and then President Trump has said and done that directly impacts the course and people of this region. Here are the highlights:

1. He has pulled the US out of the TPP, which of course includes several Latin American countries.

2. He has threatened to exit from NAFTA, calling it the “worst trade deal in history”, with untold consequences for the economy of both Mexico and Canada – to say nothing of the U.S. itself.
3. He has weaponized the immigration issue, which has special resonance for Latin Americans, and specifically targeted 200,000 immigrants here by ending Temporary Protected Status (TPS).
4. This month, he appeared to threaten to cut off counter narcotics aid to our strongest allies in this effort.
5. In the OAS itself, the Trump administration shamefully stood alone in not joining colleagues in support of the Inter-American Court’s ruling in favor of LGBT rights.
6. And then there is the wall.

The Gallup organization places 2017 approval of the US policies and its President in the Americas at 16%. The U.S. has before it an unprecedented challenge in the task of facing the hemisphere’s problems, and rebuilding its standing and trust in its own neighborhood. Multilateralism is a critical component of that effort, and the U.S. cannot afford to ignore it.

The OAS

Multilateralism falls in and out of favor as a tool of U.S. foreign policy, but is undeniable that it has historically been a critical arrow in the U.S. quiver. In the Americas, the point of that arrow is the Organization of American States (OAS). Originally founded in 1910 as the Pan American Union, the OAS is the world’s oldest regional body.

We can probably all agree that the OAS does some things very well – mostly related to elections, special political missions and human rights—and that it does some things less well, such as development work.

We likely also agree that today the OAS is weak, institutionally as well as politically.

In a previous appearance in this Subcommittee, I explained that the OAS’s weakness is partly ---but only partly --- the result of an intentional campaign waged by Venezuela that began in the Hugo Chavez years and continues unabated today under Maduro, to systematically undercut the strengths of the OAS. With another year of hindsight to test that hypothesis, it holds up pretty well.

But the relentless campaign to weaken the OAS is far from its only problem. Its current financial plight cannot be overstated. No Secretary General wants to be the one that lost the OAS, so this issue gets underplayed. So I will say it: the OAS is operating today in the context of a full blown financial crisis. The budget has shrunk 23% in real terms in the past ten years, while its workload continues to increase. Any organization can cut and trim its way to a leaner structure, but as the guy who ran the place administratively for a few years, I can confidently say the OAS long ago ran out of places to cut. Instead, it has been forced to reckon with its budgetary woes by shrinking its most valuable asset: its staff. To allow this cycle to continue is to watch the organization sink into irrelevance.

Where has the US has been as the region’s premier venue to discuss and safeguard democracy and human rights has withered to the point of ineffectiveness? Sadly, the answer is the US has been quite simply outmaneuvered by Venezuela. The US took far too long to figure out Venezuela’s game, and has

not devoted the resources to counter-act that effort. As such, the US failed to see that by allowing the OAS to weaken, it was losing a valuable foreign policy asset. To be clear, this neglect significantly precedes the Trump administration.

All of this said, the U.S. and those who support the OAS as an institution and as a critical component of a democratic future for the hemisphere, can and should begin now to seek positive reforms. Following I lay out some recommendations for action.

- The Quota System: The resource weaknesses of the OAS are structural. Quotas are fixed, not indexed, creating a downward budgetary spiral. There are no penalties for countries who pay their dues late or not at all, and the OAS has no reserve fund to weather that resource volatility. Worse, in a case of incentives gone wild, member states get a discount when they pay what they owe when they owe it. All this must change. The US has a chance to push to clean up this system as it seeks to implement US Pub.L. 113-41, The Organization of American States Revitalization and Reform Act of 2013, passed by among others, this subcommittee. This U.S. law attempts to insure that over time no member state foots more than 50% of the OAS's quota fee. Currently the U.S. pays about 59%. But to be clear, the idea is NOT to have the US simply pay less. It is, rather, to remove from the table the constant accusation that because the US pays such a big bill, the Organization is captured by US interests.
- Development: The OAS needs to spin out of the organization the tasks that weigh it down, primarily development work, in which the OAS has no comparative advantage. The main beneficiaries of this OAS work, mainly Caribbean countries, are unlikely to let this go unless they get a better deal. They can and should, but through the Inter-American Development Bank, the CAF and the World Bank.
- The OAS is structured in such a way that it answers to each country's Foreign Ministries. This effectively creates a bureaucratic and political ceiling for it within member state governments that it perennially struggles to break through. The solution is to more closely meld its operations and accountability to the Presidential Summit process. The OAS already acts as a de-facto secretariat for the Summit agenda-crafting process. It now needs to formalize other parts of its structure to formally be guided by and answer to the region's Presidents. With that added clout, it is far more likely to implement the reforms it so sorely needs. It is no accident, by the way, that Venezuela has been the implacable foe of this idea.
- As it restructures to serve the region's Presidents, the OAS should also take a hard look at its governance structure. The Permanent Council and its committees are unwieldy and duplicative. It should look to becoming less operational and focus more on its political role.
- From my two years in the chief administrative position at the OAS, I believe very strongly the U.S. has a special responsibility and role to ensure and encourage an ethical and sound administration of the OAS's resources and practices. The US can do this in two ways:

1. Bolster the Secretary for Administration position: Reflecting the U.S.'s role as the main contributor to the organization, a U.S. citizen has always occupied the top administrative post at the OAS, which is also set as the third ranking position in the chain of command. The U.S. should ensure that this continues to be the case, and to marshal its clout to bolster the authority of that position. Over the years, the authority of this position has slipped, as has the U.S.'s eyes and ears into the inner workings of the OAS and its attendant accountability.
 2. Inspector General: The I.G. position needs transparent independence from the Secretary General, both in terms of budget as well as lines of authority. It should answer only to the Permanent Council, and derive all of its authority from the Council. An Inspector General cannot possibly hold the SG and the SG's dependencies in the OAS (virtually all of them) while answering to him for staffing and budget.
- The Buildings: While these reforms must be undertaken by its entire membership, one item, in my estimation, falls disproportionately to the US: the state of the buildings that house OAS staff and operations. They are literally falling apart. The OAS has for years been carrying more than \$30m in deferred maintenance for its facilities, fixing things in a patchwork when they break. This includes the beautiful building on 17th street. Without a significant intervention from the host country, these facilities risk becoming a Potemkin village. If the OAS were headquartered in Geneva, I would expect the Swiss government to step up. But it's not. It's in Washington DC, steps from the White House. The U.S. needs to step up.

The role of the Secretary General:

I have worked for three SGs. I am convinced that it is in the interest of the U.S. to bolster and support the independent and activist role of the SG. There is much hand-wringing these days about the political role the SG should play vis a vis the OAS's governing Permanent Council. SG Almagro has been outspoken on the Venezuelan government's undemocratic actions, and several countries in addition to Venezuela are trying to shut him up. Formally, the OAS acts through its Permanent Council, issuing proclamations that have been filtered through its membership's interests and concerns. When they do agree, the statement is powerful precisely because it is backed by the entire membership of the organization. But the reality is that current hemispheric polarization has sapped the strength and the number of those consensus statements. The SG has traditionally tried to fill that vacuum with his own voice, ensuring that the OAS's cardinal tenets, democracy and human rights promotion, do not get buried in the hemispheric discussion. Some have suggested that perhaps this role should be clarified or even formalized. I disagree. I believe any effort to legislate the SG's actions will end up clipping his wings.

SG Almagro's pronouncements are not without controversy, and I am happy to talk about these in the hearing. But Almagro has helped his position greatly, and should be commended, for

vowing to be a one-term SG. This has given him significant latitude and credibility. The OAS should more than follow his example; it should institutionalize this and limit all SGs to a single term. Five years is plenty of time to be at the helm of the OAS, and ten is decidedly too many.

Conclusion

Today's hemispheric environment is intensely challenging. The Trump administration's "America First" posture is acutely jarring for this region, and Trump's rhetoric is needlessly reckless on so many issues that directly affect our neighbors. It comes as Latin America is experiencing dramatic change. As the U.S. leaves a leadership vacuum or worse, the region searches for integration, both with its neighbors and with the rest of the world.

This is not the time for vanishing U.S. leadership. This is the time for a stronger OAS. No fewer than six countries in the Americas will hold elections in 2018, representing two thirds of the region's population. Human rights and democratic institutions cannot be taken for granted at this time, and the need is critical for the OAS's institutional framework and efforts in this regard.

The US has consistently been among the OAS's friends, and I sincerely hope that continues with this administration. That said, being its friend will not solve its structural problems. That will require concerted effort and resources from all its member states. It may also require an action-forcing event that wakes up its membership to its worth and utility. Counterintuitively, that action forcing event might well be the fall of the Maduro regime in Venezuela.

The depths to which Maduro has taken Venezuela and its people is breath taking, and seems to find a new bottom as every day goes by. But Maduro will fall. And Venezuela will need all the help it can get to get back on its feet. When that happens, we will need a strong OAS at the ready. The time to restore the strength of the OAS is now. That cannot happen without the U.S.

Those of us who have championed a stronger OAS for years have constantly admonished that if we don't fix it, the OAS's doors will close. Actually, the doors will not close. It may be worse. Without significant investment by its membership, the OAS will become so weak and irrelevant that it is constantly manipulated for political ends--- a multilateral organization which only appears to champion democracy and human rights, but is powerless to make it happen. This is the worst possible outcome, and would represent a grave defeat for the U.S. and for the region as a whole. Thank you.